

Message Text

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ACTION ARA-10

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OPIC-03 L-03 INRE-00 CIAE-00 INR-07 NSAE-00 USIE-00

ARAE-00 OMB-01 SSO-00 SIL-01 LAB-04 ITC-01 /045 W

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O 091945Z FEB 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 3805

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 1 OF 2 BRASILIA 1149

E. O. 11652: GDS

TAGS: BEXP, BR

SUBJECT: GOB APPROVAL OF PROPOSED SAO PAULO TRADE CENTER

REFS: (A) BRASILIA 0681; (B) STATE 015112

1. SUMMARY: ON FEBRUARY 5, ECON-COML COUNSELOR CALLED ON MINISTER PAULO TARSO FLECHA DE LIMA, CHIEF OF FOREIGN MINISTRY'S TRADE PROMOTION DEPARTMENT, TO DISCUSS PROPOSAL FOR SAO PAULO TRADE CENTER, FOLLOWING UP COML COUNSELOR'S EARLIER PRESENTATION OF DIPLO-MATIC NOTE TO ACTING CHIEF OF THAT DEPARTMENT REPORTED REFTEL A. THE TONE OF THE MEETING WAS CORDIAL AND POSITIVE THROUGHOUT. WHILE TARSO AVOIDED ANY FORMAL ASSURANCES (AND, IN FACT, JUST RETURNING FROM VACATION, HAD NOT STUDIED THE PROBLEM IN DETAIL), IT WAS CLEAR THAT HE SAW NO OBJECTION IN PRINCIPLE. HE WILL FORM AN INTERMINISTERIAL WORKING GROUP TO EXPEDITE APPROVAL, SINCE THE AUTHORIZATIONS REQUESTED BY THE U.S. CONCERN THE MINISTRIES OF FINANCE AND INDUSTRY AND COMMERCE. END SUMMARY.

2. DURING MEETING COUNSELOR BRIEFLY REVIEWED HISTORY OF US EFFORTS TO ESTABLISH TRADE CENTER IN SAO
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PAULO AND HOW, AFTER MANY YEARS OF EFFORT, AUTHORIZATION

AND FUNDING WERE NOW AVAILABLE FOR THE USG TO PROCEED. CENTER WAS VIEWED BY US AS A LONG-TERM EFFORT TO PROMOTE US-BRAZILIAN TRADE RELATIONS, LOOKING WELL BEYOND BRAZIL'S CURRENT BALANCE OF PAYMENTS DIFFICULTIES. COUNSELOR'S PRESENTATION FURTHER ELABORATED THESE POINTS, DRAWING ON THE EXCELLENT GUIDANCE AND BACKGROUND MATERIAL, NOTABLY REFTEL B.

3. REFERRING TO REQUIREMENTS FOR TRADE CENTER'S OPERATION, COUNSELOR SAID CENTER WOULD REQUIRE THE RIGHT TO IMPORT AND DISPLAY MERCHANDISE FOR EXHIBITION PURPOSES UNDER BOND, PROCEDURE FORESEEN IN BRAZILIAN LEGISLATION AND AVAILABLE, FOR EXAMPLE, FOR EXHIBITIONS IN ANHEMBI PARK. COUNSELOR ALSO REITERATED REQUEST FOR TEMPORARY WAIVER OF TAXES AND DUTIES, UNTIL AND UNLESS MERCHANDISE IS NATIONALIZED, AND US DESIRE TO ESTABLISH THE FACILITY AS PART OF THE CONSULATE GENERAL IN SAO PAULO.

4. MINISTER TARSO SAID HE WAS ESTABLISHING INTER-AGENCY WORKING GROUP TO CONSIDER US REQUEST. ULTIMATE DECISION WOULD HAVE TO BE MADE AT THE CABINET LEVEL. APPROVAL OF THE CENTER ITSELF WOULD HAVE TO BE GIVEN BY MINISTER OF INDUSTRY AND COMMERCE, SEVERO GOMES; APPROVAL OF THE STATUS AS A BONDED WAREHOUSE WOULD COME FROM THE MINISTER OF FINANCE, MARIO SIMONSEN. (IN AN ASIDE, PAULO TARSO ALLOWED THAT HE SAW NO REASON WHY US WOULD NOT WISH TO APPROACH THE TWO MINISTRIES AT A HIGH LEVEL WHILE HIS WORKING GROUP PROCEEDS, AND EMBASSY PLANS TO FOLLOW UP.)

5. SPEAKING PERSONALLY, TARSO SAID HE WOULD WELCOME THE CENTER (AT A LATER POINT HE SAID HE SAW NO POLICY OBJECTION) BUT HE WAS ALSO CONCERNED ABOUT WHAT AGGRESSIVE AMERICAN SELLING EFFORTS WOULD DO TO BRAZIL'S BILATERAL TRADE DEFICIT. COUNSELOR SAID WE CERTAINLY APPRECIATED THIS CONCERN BUT THAT THE CENTER'S EXHIBITIONS WOULD ALSO CONFORM TO THE CONFIDENTIAL

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GOB'S IMPORT PRIORITIES SINCE THERE WOULD BE LITTLE POINT IN EXHIBITING MERCHANDISE FOR WHICH IMPORTS WERE EFFECTIVELY BARRED UNDER BRAZILIAN POLICY (PARA 3 REF B AND US DIPLOMATIC NOTE). TARSO REVIEWED CURRENT BRAZILIAN EFFORTS TO EXPAND BRAZILIAN EXPORT MARKETING IN THE SOUTH EASTERN AND SOUTHERN UNITED STATES, AND BRAZILIAN CONCERNS OVER NEW US IMPORT RESTRICTIONS. HE DID NOT, HOWEVER,

ATTEMPT ANY LINKAGE BETWEEN NEW US RESTRICTIONS AND APPROVAL OF THE CENTER, NOR DID HE MENTION THE CURRENT CLIMATE OF CONCERN IN BRAZIL OVER NEW US IMPORT RESTRICTIONS AS A FACTOR IN THE DECISION PROCESS. ON THE OTHER HAND, TARSO STRESSED THAT HE COULD NOT, OF COURSE, COMMIT THE MINISTERS OF FINANCE AND INDUSTRY AND COMMERCE.

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C O N F I D E N T I A L SECTION 2 OF 2 BRASILIA 1149

6. SECRETARY RUBEM AMARAL, TARSO'S ASSISTANT IN THE TRADE FAIR AREA, WARNED THAT EVEN AFTER THE TRADE CENTER IS ESTABLISHED, OUR DIFFICULTIES WOULD NOT BE OVER. HE ALLUDED TO THE MECHANICAL PROBLEMS THAT OTHER TRADE FAIR FACILITIES, SUCH AS ANHEMBI PARK IN SAO PAULO, SUFFER THROUGH THOUGH THEY ALREADY HAVE BONDED WAREHOUSE STATUS. HE SAID THAT AT ALCANTARA MACHADO'S INSTIGATION, AN INTER-MINISTERIAL GROUP, HAD MET LATE LAST YEAR AND FORMULATED A SERIES OF REFORM PROPOSALS (EMBASSY'S AIDE MEMOIRE ON THE SUBJECT HAD HELPED, HE ADDED.) UNFORTUNATELY, IT WAS THEN SENT, AT ALCANTARA MACHADO'S REQUEST, TO THE PLANNING SECRETARIAT WHICH SO FAR HAS FAILED TO ACT ON IT. AMARAL SUGGESTED THAT A DEMARCHE BY THE EMBASSY TO THE PLANNING SECRETARIAT AT AN APPROPRIATELY HIGH LEVEL MIGHT HELP EXPEDITE THE PROPOSALS. SHOULD THEIR REFORMS BE APPROVED AND ENACTED, IT WOULD

GREATLY ASSIST THE TRADE CENTER'S FUTURE OPERATIONS.

7. TIMING: THE COUNSELOR MENTIONED OUR DESIRE TO COMMIT FUNDS ELSEWHERE IF GOB APPROVAL CANNOT BE OBTAINED AND OUR DILEMMA OF THE SAO PAULO LEASE. PAULO TARSO SAID HE THOUGHT A DECISION COULD READILY BE GIVEN WITHIN 60 DAYS. HE ADVISED, HOWEVER, THAT
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TO GUARD AGAINST UNFORESEEN DELAYS, THE LEASE AGREEMENT CONTAIN AN OPTION TO TERMINATE THE AGREEMENT WITHIN 90 DAYS IF GOB APPROVAL IS NOT FORTHCOMING.

8. THE EMBASSY WILL CONTINUE ITS EFFORTS, REPORTED IN PREVIOUS MESSAGES, IN THE THREE MINISTRIES, TO OBTAIN EARLY APPROVAL FOR THE CENTER. THE CHANCES FOR SUCH APPROVAL, IT WOULD APPEAR TO US AT THIS TIME, BASED ON CONSERVATIVE ASSUMPTIONS, ARE REASONABLE TO GOOD --ALTHOUGH WE ARE CONCERNED ABOUT THE EFFECTS OF A PROSPECTIVE ITC FINDING OF INJURY FOR SHOES, WHICH WILL HAVE MAJOR REPERCUSSIONS HERE. EMBASSY STRONGLY RECOMMENDS THAT CONGEN SAO PAULO NOW BE AUTHORIZED TO SIGN THE LEASE BUT WITH A PROVISION WHICH WOULD PERMIT TERMINATION WITHIN 120 DAYS IF GOB APPROVAL IS NOT FORTHCOMING DURING THAT PERIOD.
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